

# HOUSE BILL REPORT

## 2SSB 5491

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to developing a strategy to reduce the cost of providing health benefits for K-12 employees.

**Brief Description:** Requiring school districts or educational service districts to purchase employee health insurance coverage through the state health care authority.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Brandland, Zarelli and Becker).

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 4/4/09 [DPA].

#### **Brief Summary of Second Substitute Bill (As Amended by House)**

- Directs the Health Care Authority (HCA) to develop a plan for reducing the cost of K-12 health benefits.
- Requires that recommendations be presented to the Governor and legislative fiscal committees by December 15, 2009.
- Requires school districts, contracted health carriers, and self-insured plan administrators to provide data to the HCA to facilitate the study.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended. Signed by 15 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Darneille, Haigh, Kagi, Kessler, Priest, Ross, Schmick and Seaquist.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Hunt, Hunter, Kenney, Pettigrew and Sullivan.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** David Pringle (786-7310)

**Background:**

The state Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), provides medical benefits for about 300,000 employees, retirees and dependents of the state; participating school districts; local governments; and tribal governments. The PEBB coverage is also available to retired employees of the state, school districts, and those local governments that purchase active employee benefits through the HCA. The Legislature provides a subsidy for Medicare-eligible retirees that enroll in PEBB plans.

The PEBB has nine members appointed by the Governor representing state agencies, state employees, school employees, state retirees, and school retirees. The PEBB sets eligibility requirements, approves premium contributions for eligible employees (these may vary for employees of K-12 school districts and certain employer groups), and approves benefits of all participating health insurance plans.

School districts and educational service districts have the option of purchasing insurance benefits for their employees from the Health Care Authority (HCA), and in 2008, about 2,000 K-12 employees participated in HCA-administered plans.

Prior to 2002, the HCA charged participating districts under a tiered rate structure, which is based on family size and plan choice. In 2002 the Legislature passed Substitute House Bill 2536, which directed the HCA to charge participating districts the same composite rate that state agencies are charged. In addition, Substitute House Bill 2536 required that participating district employees meet the same eligibility criteria and pay the same co-premiums as state employees.

Under eligibility criteria established by the PEBB, employees working half-time or more are eligible for full benefits coverage in HCA plans. The intent of the bill was to make it more attractive for school districts and their employees to purchase insurance benefits through the HCA. The 2003 Legislature passed Substitute Senate Bill 5236, requiring that school district and educational service district employees participating in HCA plans pay at least the same employee premiums as state employees pay. The total amount collected from a participating district must be the same as the composite rate collected by the HCA from state agencies, plus an amount equal to the employee premiums charged to state employees. The portion of the total paid by the district and the portion paid by district employees are determined at the local level.

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**Summary of Amended Bill:**

The Health Care Authority (HCA) is directed to develop a plan for reducing the cost of providing health benefits for certificated and classified school employees. Interested parties must be allowed to provide comments and suggestions. The plan and recommendations will be presented to the Governor and legislative fiscal committees by December 15, 2009, and must include recommendations on legislation required to implement.

By July 31, 2009, all school districts and educational service districts shall forward 2007-08 and 2008-09 plan year data to the HCA and the Office of the Superintendent of Public Instruction (OSPI) on the age and gender of employees and dependents, reports on health plan claims and counts of employees by condition categories. Contracted health carriers and self-insured plan administrators shall assist school districts in submitting the required information. Pooling information relating to the cost of the cost of benefits, plan designs, and eligibility criteria shall also be submitted.

**Amended Bill Compared to Original Bill:**

The requirement for the HCA to form a work group was removed from Second Substitute Senate Bill 5491, and the amended bill added specific language related to the information that school districts and health carriers must provide to the HCA and the OSPI on plans and participants. A requirement requiring the HCA to submit proposed legislation by January 1, 2010, is removed by the amendment, instead requiring recommendations on implementation to be submitted along with the plan and recommendations on December 15, 2009.

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**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date of Amended Bill:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:**

(In support) We believe that sufficient information needs to be gathered to put together an implementation plan. We have worked with many groups and the HCA. This study requires the gathering of key information to make a real analysis. We believe that the evidence is sufficient to indicate further analysis: savings from pooling, the difference in premiums being paid by school employees as compared to state employees, and more. My calculations suggest that about \$71 million of local money is being used to supplement state support now. The study should be supported to find out where the real problems are, especially issues of high out-of-pocket costs for some part-time and lower-paid employees.

(Opposed) We oppose the premise of mandatory participation in PEBB, and support the current optional approach. We also oppose this study because we believe that having the HCA do this is a moral hazard. The possible addition of thousands of enrollees to the HCA plans appears to present a conflict of interest to the agency charged with this study. The language also seems to pre-determine the outcome – provision of benefits by the HCA. We also have concerns about the costs, which would be better spent on actually buying health benefits. The study has already been done recently. The possible loss of choice concerns us. Underwriters and brokers work every year with local officials to find insurance at good rates. We recommend that the agents' and brokers' expertise be brought into the work group.

**Persons Testifying:** (In support) John Kvamme, Washington Association of School Administrators and Association of Washington School Principals; and Doug Nelson, Public School Employees of Washington.

(Opposed) Mel Sorensen, Washington Association of Health Underwriters; and Randy Parr, Washington Education Association.

**Persons Signed In To Testify But Not Testifying:** None.